

State of Washington  
Department of Labor and Industries  
 Decision Package

<b>Decision Package Code/Title</b>	<b>PE</b>	<b>Nationwide Information Exchange with Worker Compensation Insurers.</b>
<b>Budget Period</b>	<b>FY 12</b>	<b>Supplemental Budget</b>
<b>Budget Level</b>	<b>PL</b>	<b>Policy/Performance Level</b>

**Recommendation Summary**

EHB 2123, which passed the legislature in 2011, mandates that Labor and Industries (L&I) “Participat[e] in a national information exchange with other workers’ compensation insurers to avoid duplication of claims and benefits.” To comply, L&I requests funding to participate in a national information exchange with other workers’ compensation insurers. Costs are \$125,000 in the first year and \$187,500 in the second year. The annual subscription after two years would be \$250,000. Costs are determined by the premium base of the insurer.

**Fiscal Detail**

**Change to Agency’ Staff and Expenditures:**

	<b>FY 2012</b>	<b>FY 2013</b>	<b>TOTAL</b>
<b>Staffing:</b>			
608-1 Accident Fund-State	0.0	0.0	0.0
609-1 Medical Aid Fund-State	0.0	0.0	0.0
<b>TOTAL FTEs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
	<b>FY 2012</b>	<b>FY 2013</b>	<b>TOTAL</b>
<b>Operating Expenditures:</b>			
608-1 Accident Fund-State	62,500	93,750	156,250
609-1 Medical Aid Fund-State	62,500	93,750	156,250
<b>TOTAL Expenditures</b>	<b>125,000</b>	<b>187,500</b>	<b>312,500</b>

**Change to Revenue:**

	FY 2012	FY 2013	TOTAL
<b>Revenue:</b>			
Fund/Major Group/Source	0	0	0
<b>TOTAL Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Total Net Impact:**

608-1 Accident Fund - State	62,500	93,750	156,250
609-1 Medical Aid Fund - State	62,500	93,750	156,250
<b>TOTAL</b>	<b>125,000</b>	<b>187,500</b>	<b>312,500</b>

**Package Description*****What is the problem or opportunity the agency wants to address?***

Labor and Industries must meet the mandate established in EHB 2123 to participate in a national information exchange. Adequate funding to do so was not provided in the original fiscal note, however.

***Exactly how does the agency want to address this problem or opportunity?***

The department has been negotiating with Information Services Offices, Inc., who holds workers' compensation information provided by approximately 97 percent of insurers, to share L&I information and access worker compensation information provided by insurers. L&I is the last state fund insurer to participate. The ClaimSearch system provided by Information Services Offices, Inc. is the only nationwide database of its kind and the industry standard for the type of data exchange mandated by EHB 2123. Information Services Offices, Inc. bases its fees on the size of the premium base of the insurer using their services and is not willing to negotiate a different billing option.

***What will the package funding actually buy?***

The package would provide funding for unlimited access to workers' compensation information submitted by 97 percent of all insurers. This access would allow the department to determine if

there is the potential for fraud and abuse through multiple filings for the same injury. Further, it would help detect schemes of abuse and fraud which could be helpful in the future development of approaches to eliminate fraud and abuse.

***Does this proposal require IT development or services?***

No.

***Does this proposal require User Centered Design?***

No.

**Narrative Justification**

**Describe what specific performance outcomes the agency expects.**

***What desired results will be achieved?***

The department will be able to freely share with and obtain claims information from other insurers thus providing a source by which to better evaluate the validity of claims

***What undesired results will be reduced?***

Claims costs paid that are duplicate billings of other insurers, or otherwise not the responsibility of Washington State's workers' compensation program would be reduced by approximately \$4 million.

***Will efficiency increase and if so, how?***

***Will outputs change and if so, how?***

There will be an increased number of claim denials due to the specific matches we identify, as well as potential overpayment or fraud orders issued.

## **Impact Statement**

### ***What is the expected impact on clients, services provided, citizens or other agencies or governments?***

Participation in information sharing with other insurers will ensure limited revenues are spent appropriately and the department is not paying for services it should not. Employers could realize a savings through reduced claims costs. The department could provide the best outcome for injured workers by reducing the potential of overpayments being issued by identifying issues up front.

### ***What alternatives were explored by the agency, and why was this alternative chosen?***

The ClaimSearch system provided by Information Services Offices, Inc. is the only nationwide database of its kind and the industry standard for the type of data exchange mandated by law in EHB 2123.

### ***What are the consequences of not funding this package?***

The department would be unable to comply with the mandate required in EHB 2123.

### ***What changes would be required to existing statutes, rules, or contracts, in order to implement the change?***

None. ESHB 2123 relieves the department from the requirements of RCW 51.28.070 (Claim files and records confidential) for the purpose of participating in the sharing of claim information with other workers' compensation insurers.

## **Performance Measure Detail**

### ***Does this decision package rate as a high priority in the Priorities of Government process and make key contributions to statewide results? If so, please describe.***

This decision package has a direct impact on economic vitality of citizens and businesses within Washington State. It will directly impact workers' compensation premium rates, holding them down by reducing the effect of claims that are fraudulent. This also fits directly in the result area

of “Improve state government efficiency”, under the purchase strategy to safeguard and manage public funds.

***Is this decision package essential to implement a strategy identified in the agency’s strategic plan? If so, please describe.***

This package supports the agency’s strategic plan by reducing fraud and abuse. One of the barriers has been the inability to share information with other insurers. This package will provide the required funding for subscribing to services that will eliminate the barrier.

***Please provide at least one performance measure that quantifies the success of this proposal.***

***What are the other important connections or impacts related to this proposal?***

None.

## Expenditure Calculations and Assumptions

	FY 2012	FY 2013	TOTAL Biennium	Biennium 2013-2015	Biennium 2015-2017	TOTAL
FTEs - Direct	0.0	0.0	0.0	0.0	0.0	0.0
FTEs - Indirect	0.0	0.0	0.0	0.0	0.0	0.0
<b>Objects of Expenditure:</b>						
A - Salary and Wages	0	0	0	0	0	0
Indirect FTE Salary	0	0	0	0	0	0
B - Employee Benefits	0	0	0	0	0	0
Indirect FTE Benefits	0	0	0	0	0	0
C - Contracts	0	0	0	0	0	0
E - Goods and Services	125,000	187,500	312,500	500,000	500,000	1,312,500
AG Costs	0	0	0	0	0	0
G - Travel	0	0	0	0	0	0
J - Capital Outlays	0	0	0	0	0	0
<b>TOTAL Expenditures</b>	<b>125,000</b>	<b>187,500</b>	<b>312,500</b>	<b>500,000</b>	<b>500,000</b>	<b>1,312,500</b>
<b>Funds:</b>						
001 - General Fund	0	0	0	0	0	0
01F - CVC Account	0	0	0	0	0	0
095 - Electrical	0	0	0	0	0	0
608 - Accident Account	62,500	93,750	156,250	250,000	250,000	656,250
609 - Medical Aid Account	62,500	93,750	156,250	250,000	250,000	656,250
Other	0	0	0	0	0	0
<b>TOTAL Funds</b>	<b>125,000</b>	<b>187,500</b>	<b>312,500</b>	<b>500,000</b>	<b>500,000</b>	<b>1,312,500</b>

### ***What costs and functions are one-time?***

None.

### ***Which are ongoing?***

The subscription costs will continue into ensuing biennia.

### ***What are the budget impacts in future biennia?***

There is an annual subscription cost of \$250,000, which will increase slightly over time as premium base increases.

### ***What is the relationship, if any, to the state capital budget?***

None